PROVINCE OF SASKATCHEWAN

09-10

ANNUAL REPORT

SASKATCHEWAN GRAIN CAR CORPORATION

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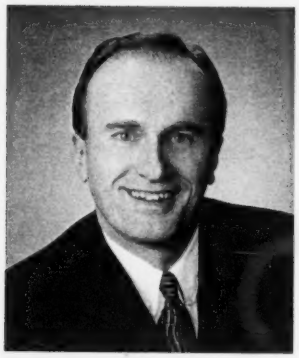
Letter of Transmittal - Minister



October 1, 2010

His Honour the Honourable Dr. Gordon L. Barnhart,
Lieutenant-Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2010 in accordance with The Saskatchewan Grain Car Corporation Act. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Hon. James Reiter
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2010

The Honourable James Reiter

Chairman of the Board

Dear Sir:

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the Annual Report for the Corporation for the fiscal year ending July 31, 2010.

The SGCC hopper car fleet consists of 907 hopper cars with a cubic capacity of 4550 cubic feet and a total load limit of 101,605kg (224,000lbs.) Since their original purchase 93 hopper cars have been destroyed in derailments.

A recent inspection of the cars indicates that the SGCC hopper car fleet is in good to very good condition and it is anticipated that they will reach their full service life of 65 years.

The mandate of the SGCC is to "maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources." To this end, the SGCC has provided its hopper car fleet free to shippers when hauling statutory grain to port.

Statutory grain movements accounted for 75% of all grain and oilseed tonnage moved in SGCC cars in 2009/10. In 2009/10 the SGCC cars hauled 946,617 tonnes in statutory grain movements, up 25.9% from the previous crop years 752,116 tonnes. It is estimated that the provision of the SGCC hopper cars has saved western Canadian farmers $3.8 million in the 2009/10 crop year.

The 2009/10 fiscal year has seen a rebound in alternate use revenues for the SGCC, with alternate use revenues for the year of $1,244,944. This is an increase of 13.8% over last year's revenues of $ 1,093,967.

The current model of leasing the SGCC hopper cars directly to the Canadian Pacific and Canadian National Railways has served western producers well over the years. We will continue to build on these relationships while proactively pursuing opportunities with other stakeholders.

The Corporation's staff and I look forward to an exciting and challenging fiscal year 2010/11.

Robert (Bob) Mason

President and CEO

Quick Facts
Saskatchewan Grain Car Corporation

as of July 31, 2010

Corporation Established	Oct 2, 1979
Office	Regina

Board of Directors

James Reiter, Chairperson,
Bob Bjornerud, Vice Chairperson
Rob Penny, Board Member
Alanna Koch, Board Member

Fleet

Cars in service	907
Cars allocated to CN (SKNX 397000-397476)	417
Cars allocated to CPR (SKPX 625000-625522)	490
Cars destroyed to date	93
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,605 kg (224,000 lbs)
LT WT (Light Weight - empty)	28,123 kg (62,000 lbs)
Gross Weight	129,728 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981
Service Life Remaining	34 years*

Financial

Tangible capital assets as of July 31, 2010 – Hopper cars	$13,889,670
Total dividends paid to the General Revenue Fund to date	$15,000,000

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act
Operating Agreement with CN, CPR, and CWB
Alternate Use Agreement with CN and CPR

* The Association of American Railroads (AAR) has made the decision to extend the service life of hopper cars built after July 1, 1974 from 50 years to 65 years. As a result of this decision, the SGCC hopper car fleet now has approximately 35 years of service life remaining.

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of the Saskatchewan Grain Car Corporation Act.

The Saskatchewan Grain Car Corporation hopper car fleet is made available to the grain industry to assist them in getting their crops to market. This is done in two ways. For grain movements originating in the Prairie Provinces and destined to the port terminals in Thunder Bay, Churchill, Vancouver, and Prince Rupert, the SGCC makes its' equipment available at no charge to farmers. For grain movements originating in the Prairie Provinces and destined to inland destinations throughout Canada, the United States, and Mexico a commercial lease fees is charged for the use of the SGCC's hopper cars.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups, and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Values

We believe that through innovation and by using the assets and intellectual capital resident in the Saskatchewan Grain Car Corporation, we can improve the agricultural economy of Saskatchewan by ensuring that producers have influence on grain transportation policies and practices and that producers benefit from modernization of the grain logistics system.

The Saskatchewan Grain Car Corporation is a workplace of choice because we value creativity, fairness, honesty, excellence, accountability, and personal development, as the most important priorities for our jobs and our working relationships.

Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) mission is to use its resources to maximize the economic benefit to Saskatchewan agriculture as a first priority and for other industries and the province in general as a second priority. In order for the Corporation to remain focused on these priorities, management must be centered on the core hopper car fleet management business while keeping up to date and involved in new innovations and developments in the industry.

The 2009/10 fiscal year has proved to be a very interesting and challenging time for the Corporation. The Corporation's main focus was on managing the 907 steel covered hopper cars.

Summary of Key Activities

Management of the SGCC Fleet

- 24.7% increase in overall tonnage hauled by the SGCC hopper car fleet.
- 13.8% increase in alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico.
- Duration of alternate use trips continues to decline from 24.1 days in 2007/08 to 20.6 days in 2009/10.

West Central Road & Rail Ltd. (WCRR)

- Contracted over 335,002 metric tonnes
- Constructed a fifth producer car loading facility at Dinsmore.
- Offer an Enhanced Producer Car Loading Program across the Prairie Provinces to allow producer car loaders beyond delivery distance of WCRR loading facilities, the opportunity to access their unique programs.

Consulting Services

- SGCC provides consulting services to the Ministry of Highways and Infrastructure in the area of rail policy.

Management of the Hopper Car Fleet

Utilization of SGCC Fleet

The Corporation's management continues to monitor and work with the railways to ensure that the hopper car fleet is being utilized to its maximum potential under the existing operating agreements.

The SGCC was able to meet its core mandate of ensuring that the hopper car capacity is made available to western farmers for the transportation of their grain to export position.

The 2009/10 crop year saw overall grain volumes moved in SGCC hopper cars increase from the 2008/09 crop year. 1,260,891 tonnes of grain are estimated to have been hauled in SGCC hopper cars in 2009/10 as compared to 1,010,880 tonnes in the previous year. This equates to a year over year increase of approximately 24.7%.

Alternate use revenues are received for grain moved to domestic destinations throughout Canada, the United States and Mexico.

Total alternate use revenues for the SGCC in the 2009/10 fiscal year were $1,244,944 up 13.8% from the $1,093,967 in the 2008/09 fiscal year.

The increase in revenues is a reflection of a rebound in rail traffic. In the 2009/10 fiscal year the SGCC had 3,564 alternate use trips, as compared to 2,944 in the previous year. This is an increase of 21.1%.

The railways pay the SGCC a daily lease fee for the use of its hopper cars in alternate service. In the 2007/08 fiscal year, the average alternate use trip was 24.1 days. In the 2008/09 fiscal year the average alternate use trip was 21.9 days or 9.3% shorter than the previous year. In 2009/10 the average length of alternate use trip declined an additional 6% to 20.6 days.

The reduction in the cycle time for alternate use trips results from an overall reduction in rail traffic within the rail system generally which allows the railways to move the remaining traffic quicker.

Corporate Report

Grain Handling and Transportation Advisory Services

In the 2009/10 fiscal year, SGCC continued its involvement in various western Canadian transportation and grain handling initiatives and projects. Some of the projects and initiatives that the Corporation was involved in over the past year include the following:

1. West Central Road & Rail Ltd.

To address the shift to just-in-time delivery, the SGCC, in partnership with West Central Road & Rail Ltd. (WCRR), Golden Prairie Short Line Rail Co-operative and other stakeholders, initiated the Grain Logistics Pilot Project in 1999.

The goal of Phase I of the Pilot Project was to determine if cost savings were possible in grain transportation by using modern logistical practices to improve efficiency. A number of studies were done in Western Canada to examine the grain handling and transportation system and it was determined that savings of $10 to $20 a tonne savings could be achieved.

Phase II of the Grain Logistics Pilot Project was to implement the findings of Phase I. To assist in this implementation, the SGCC made a $400,000 investment in WCRR.

The part most apparent to the public is the construction of producer loading facilities at Eston, Laporte, Lucky Lake and Beachy. The introduction of virtual computer blending of grain and the WCRR logistics practices has been able to increase producer returns by an average of $10 to $20 per tonne depending on the blending opportunities available during the crop year.

The 2009/10 fiscal year was a successful one for WCRR. WCRR is currently operating four facilities along the rail network: Eston, Laporte, Lucky Lake, and Beachy. WCRR contracted over 335,002 metric tonnes and of that shipped approximately 224,063 metric tonnes based on Canadian Wheat Board delivery acceptance levels.

WCRR undertook a successful share offering in 2009/10 and has used the proceeds to construct a fifth facility at Dinsmore. The Dinsmore facility, like the facilities in Eston and Laporte, has on site storage sufficient to fill 30 hopper cars.

In addition to its facility expansion, WCRR now offers an Enhanced Producer Car Loading Program across the Prairie Provinces. This program gives producer car loaders beyond delivery distance of WCRR loading facilities, the opportunity to access the unique programs of WCRR. The Enhanced Producer Car Program includes:

- Optimized virtual blending of grain
- A contractual grade and protein guarantee
- Up to 90% advance payment upon receipt and confirmation of shipping sample
- On-Farm inventory tracking
- Identity preserved logistics
- Quality control measures
- Less risk, more value and faster payment

2. Consulting Services

In 2009/10 the SGCC entered into a contract to provide consulting services to the Ministry of Highways and Infrastructure in the area of rail policy. Consulting services have been provided for the following:

- Level of Service Review
- Review of Interswitching Regulations
- Consultation on Methodology for Determining Pension Contributions under Revenue Cap
- Cost of Capital Review
- Annual Revenue Cap Adjustment

Operations Overview

The SGCC hopper car fleet consists of 907 hopper cars with a cubic capacity of 4550 cubic feet and a total load limit of 101,605kg (224,000lbs.)

Canadian National Railway Ltd. (CN) and Canadian Pacific Railway Ltd. (CPR) have an assigned percentage of the Corporation's hopper car fleet. This allocation can be adjusted on a bi-annual basis based on the total tonnes handled by each railway in the most recent five year period. At the start of the 2009/10 fiscal year, CN had 419 and CPR had 491 hopper cars assigned, respectively.

Throughout the year, CN had 2 cars destroyed due to derailments and CPR had 1 car destroyed, leaving them with 417 and 490 hopper cars respectively. A detailed summary of the destroyed cars can be found on page 26 of this report.

The railway responsible for a destroyed hopper car is required to compensate the Corporation based on the guidelines defined by the Association of American Railroads (AAR). The compensation received for the destroyed hopper cars is placed into a Reserve Fund to be used for the replacement and refurbishment of the SGCC fleet.

The Corporation's staff continues to use a computerized car tracking system to monitor the day-to-day movements of the fleet, enabling them to identify such things as inactive cars, bad orders and determining the destinations of movements for billing purposes.

This system assists in identifying issues around the timely repair of hopper cars, notification of destroyed cars leased to the railways, and identifying periods where the cars can be utilized for commercial leasing.

The Corporation's hopper car fleet is utilized for both statutory and commercial movements. The majority of the movements are statutory grain movements. They originate in western Canada and are destined for export through port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. These movements are defined in the 1981 Operating Agreement between SGCC, the Canadian Wheat Board (CWB), CN and CPR. The SGCC provides its hopper cars free of charge for all statutory grain movements.

2009/10 Fleet Highlights

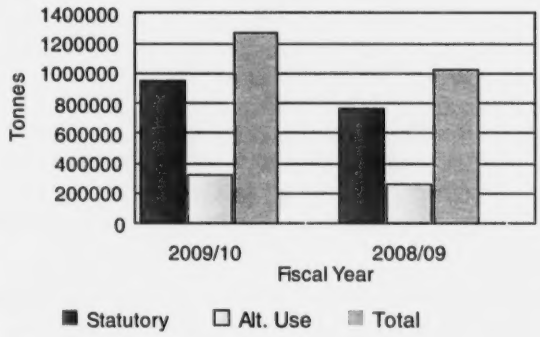
- 417 hopper cars on CN Lines
- 490 hopper cars on CPR Lines
- 3 hopper cars destroyed
- 93 hopper cars destroyed to date

The commercial movements are all grain movements destined to the U.S. and Mexico or to non-export points in Canada or non-grain commodities such as potash, to all destinations. Commercial movements are subject to full commercial lease rates.

Hopper Car Activity

The 2009/10 crop year saw grain volumes moved in SGCC hopper cars increase from the 2008/09 crop year. 1,260,891 tonnes of grain are estimated to have been hauled in SGCC hopper car as compared to 1,010,880 tonnes in the previous year. This equates to a year over year increase of approximately 24.7%.

Grain Hauled by SGCC



Operations Overview

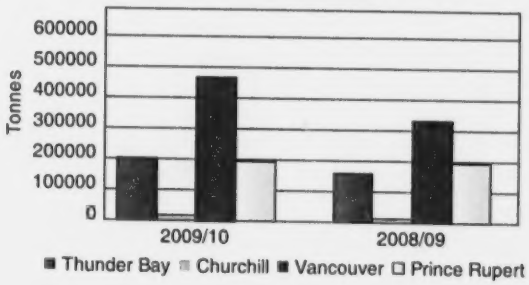
Statutory Grain Service

Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CPR and CWB in which the rail companies are allowed to use the Corporation's cars free of charge to move the six major grains from the Prairie Provinces to port locations at Thunder Bay, Churchill, Vancouver and Prince Rupert for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector has diversified and evolved this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge

Canada Grain Commission (CGC) statistics reported total statutory movements in SGCC hopper cars of 946,617 tonnes in 2009/10 as compared to 752,116 tonnes in the previous crop year. This is a 25.9% increase in statutory movements. Statutory grain service accounted for 75% of all grains and oilseeds tonnage moved in 2009/10.

	2009/10		2008/09	
	Total Tonnage	Total Trips	Total Tonnage	Total Trips
Wheat	474,082	4,968	399,450	4,238
Durum	106,709	1.119	69,227	731
Oats	6,422	87	5,972	83
Barley	4,853	535	32,061	381
Rye	1,348	15	-	0
Flax	19,359	253	11,152	148
Canola	293,842	3,758	234,251	2,976
Total	**946,617**	**10,735**	**752,116**	**8,557**

Statutory Grain Service Destination



Alternate Use/Commercial Service

Alternate use movements are those hopper car movements outside the parameters of the 1981 Operating Agreement. The Corporation has formal alternate use agreements signed with CN and CPR allowing the railways to transport commodities when the SGCC hopper cars are not required in statutory grain service. The majority of the movements are for the carriage of the six major grains to domestic destinations throughout Canada, the United States and Mexico.

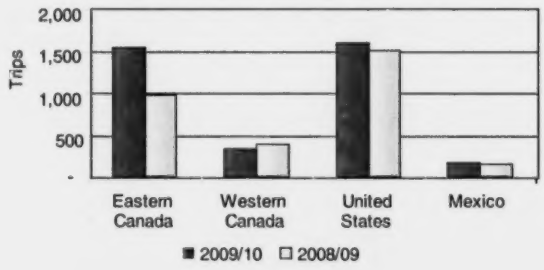
Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico in the 2009/10 fiscal year were $1,244,944 up 13.8% from the $1,093,967 in the 2008/09 fiscal year. The increase in revenues is partially as a result of an increase of 21.1% in the number of alternate use trips in SGCC hopper cars. Mitigating the overall increase in the number of alternate use trips on the revenues of the SGCC is a continuing reduction in the average time each trip takes.

The railways pay the SGCC a daily lease fee for the use of its hopper cars in alternate service. The current lack of congestion in the rail system resulting from the recent economic

downturn has resulted in the railways using the lack of congestion to increase overall rail velocity. In the 2007/08 fiscal year, the average alternate use trip was 24.1 days. In the 2008/09 fiscal year the average alternate use trip was 21.9 days or 9.3% shorter than the previous year. This trend has continued in the 2009/10 fiscal year with alternate use trips averaging 20.6 days or 6% lower than in 2007/08.

This reduction in average days per trip results in reduced overall revenues to the SGCC.

Commercial Service Destinations



Destination	2009/10 Trips	2008/09 Trips
Eastern Canada	1,514	948
Western Canada	319	371
United States	1,568	1,482
Mexico	163	143
Total	3,564	2,944

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2010.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2010.

The financial statements have been audited by the Corporation's external auditors, Skilnick Miller Moar Grodecki & Kreklewich, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.

Robert (Bob) Mason

Regina, Saskatchewan

October 30, 2010

Auditor's Report

To the Members of the Legislative Assembly

Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2010, and the statements of operations and net assets, change in net financial assets and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2010 and the results of its operations and net assets, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Skilnick Miller Moar Grodecki + Kreklewich

SKILNICK MILLER MOAR GRODECKI & KREKLEWICH

Chartered Accountants

Melville, Saskatchewan

September 2, 2010

Statement of Financial Position

as at July 31, 2010.

Statement 1

	2010	2009
FINANCIAL ASSETS		
Cash (Note 2)	$ 7,709	$ 35,426
Due from General Revenue Fund (Notes 4 & 7)	4,327,184	3,597,842
Accounts receivable (Note 7)	371,812	125,897
Goods and services tax receivable	Nil	65
Other investments (Notes 2 & 6)	407,349	407,349
TOTAL FINANCIAL ASSETS	$ 5,114,054	$ 4,166,579
LIABILITIES		
Accounts payable and accrued liabilities	$ 57,993	$ 17,848
Goods and services tax payable	5,326	Nil
Deferred fleet revenue (Note 2, 3, & 7)	783,992	711,707
TOTAL LIABILITIES	$ 847,311	$ 729,555
NET FINANCIAL ASSETS – STATEMENT 3	$ 4,266,743	$ 3,437,024
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2 & 5)	$ 13,889,670	$ 15,187,457
Prepaid expense	4,583	Nil
TOTAL NON-FINANCIAL ASSETS	$ 13,894,253	$ 15,187,457
NET ASSETS – STATEMENT 2	$ 18,160,996	$ 18,624,481

Approved on behalf of the Board:

Jim Reiter
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

Statement of Operations and Net Assets

For the Year Ended July 31, 2010.

Statement 2

	2010 Budget	2010	2009
REVENUES			
Car leasing - Alternate use (Note 3)	$ 1,400,000	$ 1,244,944	$ 1,093,967
Interest (Notes 4 & 8)	10,000	9,945	28,317
Fleet revenue (Note 7)	Nil	Nil	Nil
Model car royalties	7,000	1,963	11,498
Consulting Revenue	78,000	62,885	Nil
TOTAL REVENUES	$ 1,495,000	$ 1,319,737	$ 1,133,782
EXPENSES			
Administration (Schedule 1)	$ 139,220	$ 77,618	$ 84,623
Amortization (Notes 2 & 5)	1,260,000	1,255,910	1,258,670
Destroyed grain cars - fleet assets	80,000	41,877	85,763
Fleet repair and maintenance	17,500	7,223	30,003
Salaries and benefits (Notes 8 & 9)	375,000	390,108	337,248
Travel and sustenance	15,000	10,486	9,298
TOTAL EXPENSES	$ 1,886,720	$ 1,783,222	$ 1,805,605
(DEFICIT) SURPLUS FOR THE YEAR	$ (391,720)	$ (463,485)	$ (671,823)
Net Assets, beginning of year		18,624,481	19,296,304
Dividends paid to the General Revenue Fund		Nil	Nil
NET ASSETS, END OF YEAR		$ 18,160,996	$ 18,624,481

(See Accompanying Notes to Financial Statements)

Statement of Change in Net Financial Assets

For the Year Ended July 31, 2010.

Statement 3

	2010	2009
Deficit for the year	$ (463,485)	$ (671,823)
Change in non-financial assets		
Tangible capital assets		
Amortization	1,255,910	1,258,670
Destroyed grain cars - fleet assets	41,877	85,763
Increase in prepaid expenses	(4,583)	Nil
Net change in non-financial assets	$ 1,293,204	$ 1,344,433
Increase in net financial assets	829,719	672,610
Net financial assets, beginning of year	3,437,024	2,764,414
Dividend paid to General Revenue Fund	Nil	Nil
NET FINANCIAL ASSETS, END OF YEAR	$ 4,266,743	$ 3,437,024

(See Accompanying Notes to Financial Statements)

Statement of Cash Flows

For the Year Ended July 31, 2010.

Statement 4

	2010	2009
OPERATING ACTIVITIES		
Deficit for the year	$ (463,485)	$ (671,823)
Non-cash items included in surplus (deficit) for the year:		
- Amortization	1,255,910	1,258,670
- Destroyed grain cars - fleet assets	41,877	85,763
Change in non-cash operating activities:		
- (Increase) Decrease in accounts receivable	(245,915)	724,443
- Increase (Decrease) in accounts payable and accrued liabilities	40,145	(11,275)
- Net change in goods and services tax receivable/payable	5,391	(6,384)
- Increase in deferred fleet revenue	72,285	264,585
- Increase in prepaid expenses	(4,583)	Nil
Cash provided by operating activities	$ 701,625	$ 1,643,979
CAPITAL ACTIVITIES		
Acquisitions of tangible capital assets	$ Nil	$ Nil
FINANCIAL ACTIVITIES		
Dividends paid to General Revenue Fund	$ Nil	$ Nil
INCREASE IN CASH AND CASH EQUIVALENTS	$ 701,625	$ 1,643,979
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,633,268	1,989,289
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,334,893	$ 3,633,268

SUMMARY OF CASH AND CASH EQUIVALENTS

Cash	$ 7,709	$ 35,426
Due from General Revenue Fund	4,327,184	3,597,842
	$ 4,334,893	$ 3,633,268

(See Accompanying Notes to Financial Statements)

Notes to Financial Statements
July 31, 2010.

1. STATUS OF THE CORPORATION

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of The Saskatchewan Grain Car Corporation Act.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Corporation is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are as follows:

a) Revenue

Revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

Fleet revenue for destroyed grain cars, including interest earned on externally restricted funds, is recognized in the year when disbursements are made to purchase, upgrade, repair and maintain the grain car fleet.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives of 40 years.

c) Investments

The investment in shares of West Central Road & Rail Ltd. are recorded at cost, and dividends from these shares are recorded as revenue when receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the Statement of Operations in the current period.

e) Measurement Uncertainty

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Notes to Financial Statements

3. OPERATING AGREEMENTS

The Corporation entered into Operating Agreements from August 1, 2009 to July 31, 2010 with Canadian National Railway Company and Canadian Pacific Railway Limited which allows the railways to lease the Corporation's cars free of charge for the Movement of Grain. Movement of Grain refers to the movement to port of grain products as listed under the Canada Transportation Act.

The railway may lease the Corporation's cars for commercial service provided the cars are surplus to the requirements for Movement of Grain. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with Transport Canada, Federal Railway Administration and Association of American Railroads (AAR) Rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railways are required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR. All amounts received from the railways as compensation for destroyed grain cars are recorded as deferred fleet revenue.

4. DUE FROM GENERAL REVENUE FUND

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2009/2010 was 0.31% (2008/2009 1.23%).

5. TANGIBLE CAPITAL ASSETS

The Corporation purchased 1,000 covered hopper cars in 1981. As of July 31, 2010, 93 cars have been destroyed; the remaining 907 cars are in service.

Rolling Stock	Cost	Accumulated Amortization	Book Value
Balance, beginning of year	$ 50,268,648	$ 35,081,191	$ 15,187,457
Current disposal - destroyed grain cars	165,184	123,307	41,877
	50,103,464	34,957,884	15,145,580
Current Amortization - 2.5%	Nil	1,255,910	1,255,910
Balance, end of year	$ 50,103,464	$ 36,213,794	$ 13,889,670

Notes to Financial Statements

6. INVESTMENT IN SHARES OF WEST CENTRAL ROAD & RAIL LTD.

The Corporation owns 4,000 Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. As per the agreement, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

7. DEFERRED FLEET REVENUE AND RESTICTED FUNDS

In accordance with the operating agreements described in Note 3, compensation for destroyed grain cars received from Canadian National Railway Company and Canadian Pacific Railway Limited is recorded as deferred fleet revenue as the agreements specify that the funds must be used for future purchase, upgrade, repair and maintenance of the grain car fleet.

The amounts for deferred fleet revenue and restricted funds are as follows:

	2010	2009
Deferred Revenue, Beginning of Year	$ 711,707	$ 447,122
Add restricted funds received:		
Compensation for destroyed grain cars (Note 3)	70,126	141,949
Interest allocated (Notes 2, 4 & 8)	2,159	6,070
Refund of provincial sales tax	Nil	116,566
	783,992	711,707
Deduct fleet revenue recognized:		
Acquisitions - fleet upgrades (Note 5)	Nil	Nil
Fleet repair and maintenance	Nil	Nil
	Nil	Nil
Deferred Fleet Revenue, End of Year	$ 783,992	$ 711,707

Restricted Funds	2010	2009
Due from General Revenue Fund	$ 710,249	$ 711,556
Accounts receivable	73,743	151
	$ 783,992	$ 711,707

Notes to Financial Statements

8. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

		2010		2009
Deferred Fleet Revenue				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	2,159	$	6,070
Revenues				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	9,945	$	28,317
Expenses				
Ministry of Highways and Infrastructure				
Salaries and Benefits	$	15,994	$	16,805
Information Technology Office				
Computer maintenance	$	8,111	$	8,890
Software	$	Nil	$	325
Telecommunications	$	123	$	Nil
Ministry of Government Services				
Rent – office space	$	37,902	$	34,676
Printing and copying	$	387	$	461
Office Supplies	$	91	$	275
Consulting Services	$	Nil	$	3,086
Saskatchewan Telecommunications				
Telecommunications	$	3,951	$	5,086
Workers' Compensation Board (Saskatchewan)				
Salaries and benefits	$	2,310	$	2,265

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Notes to Financial Statements

9. PENSION PLAN

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (related party) is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2010 amounted to $22,253 (2009 - $19,634).

SCHEDULE OF ADMINISTRATION EXPENSES

For the Year Ended July 31, 2010.

Schedule 1

	2010 Budget	2010	2009
Advertising and promotion	$ 2,000	$ Nil	$ Nil
Bank charges	720	127	494
Computer maintenance (Note 8)	15,000	8,111	8,890
Computer software (Note 8)	2,000	819	1,183
Conferences and professional development	5,000	4,041	995
Consulting services (Note 8)	25,000	1,331	3,929
Miscellaneous	2,000	1,053	1,273
Office equipment and supplies (Note 8)	3,500	939	2,394
Printing, copying, postage and courier (Note 8)	3,500	2,991	2,640
Professional services	20,000	8,906	9,168
Rent - office space (Note 8)	44,000	41,802	38,726
Subscriptions and memberships	10,000	3,547	9,845
Telecommunications (Note 8)	6,500	3,951	5,086
TOTAL - TO STATEMENT 2	$ 139,220	$ 77,618	$ 84,623

(See Accompanying Notes to Financial Statements)

Expenditure Disclosure

For the year ending July 31,2010

Employee receiving payments totaling $50,000 or more for salaries or wages:

	2010	2009
Kelly Moskowy	120,048	111,365
Tim Shoulak	103,827	96,398
Shannon Lindholm	84,275	77,163
Total	$ 308,150	$ 284,926

In the 2009/10 fiscal year, no payments totaling $50,000 or more were made to suppliers/consultants.

Statistical Summary

Year as of July 31, 2010	Cars In Service			Cars Destroyed			Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80								
1980/81	477	273	750					
1981/82	477	523	1,000				$ 56,294	
1982/83	477	523	1,000				$ 11,850	
1983/84	475	523	998	2		2		
1984/85	475	523	998					
1985/86	475	523	998					
1986/87	474	523	997	1		1		
1987/88	474	523	997					
1988/89	474	523	997				$ 1,099,441	
1989/90	474	523	997				$ 92,310	
1990/91	474	523	997	1		1	$ 146,343	
1991/92	473	522	995		1	1	$ 268,342	
1992/93	473	522	995				$ 326,047	
1993/94	472	522	994	1		1	$ 816,083	
1994/95	472	518	990		4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2		2	$ 991,526	
1997/98	468	509	977		5	5	$ 1,089,116	(See note 1, page 27)
1998/99	468	509	977				$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3		3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12		12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6		6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2008/09	419	491	910	5		5	$ 1,093,967	
2009/10	417	490	907	2	1	3	$ 1,224,944	
Total	**417**	**490**	**907**	**60**	**33**	**93**	**$ 22,807,709**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
• Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
• Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
• Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
• Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

DEFINITIONS

Bad Orders

A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles

A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service

Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the Canada Transportation Act. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Dunnage

Is the name for the materials used in holds and containers to protect goods and their packaging from moisture, contamination and mechanical damage. Dunnage may include plastic films, jute coverings, tarpaulins, wood (wooden dunnage, i.e.; pallets), rice matting, non-wovens, liner bags or also inlets etc.. Depending on the use to which it is put, dunnage may be divided into floor, lateral, interlayer and top dunnage.

Gross Weight

Total of weight of car, net load, and dunnage.

Light Weight (LT WT)

Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)

Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock

Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash

Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of the Canada Transportation Act. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

Saskatchewan Grain Car Corporation
1210 – 1855 Victoria Avenue
Regina, Saskatchewan
S4P 3T2
Telephone: (306) 787-1137
Facsimile: (306) 798-0931
Email: info@sgcc.gov.sk.ca